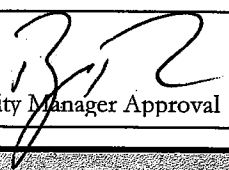




Report to the Auburn City Council

Action Item

Agenda Item No. 13


City Manager Approval

To: Mayor and City Council Members
From: Bernie Schroeder, Director of Public Works
Date: April 22, 2013
Subject: Regional Sewer Common Pipeline Deal Points

The Issue

Shall the City notify the City of Lincoln and the Placer County Board of Supervisors (BOS) of the City of Auburn's intent to participate with the Regional Sewer Common Pipeline Project?

Conclusion and Recommendation

Staff recommends, BY MOTION, the Council accept the Regional Sewer Common Pipeline Deal Points and direct staff to distribute to Placer County and the City of Lincoln for their responses. Provide direction to staff on the Regional Sewer Project.

Background

On February 25, 2013, the City Council forwarded a set of proposed Deal Points to the Board of Supervisors for Auburn's full participation in the Regional Sewer Project. On March 12, 2013 the Board of Supervisors declined the deal points but invited Auburn to reserve capacity in the common pipeline. Hence, on April 8, 2013, the City Council directed staff to prepare a set of draft Deal Points and return for final review (see attached Exhibit A). Based on the project's existing agreements, staff believes the purchase of the capacity in the Regional Sewer Common Pipeline will require the City of Auburn to enter into agreements with both Placer County and the City of Lincoln.

The common section of pipeline is approximately 4 miles long and extends along parts of Highway 193 and Virginia Town Road. The estimated cost of upsizing the common section of pipeline is estimated at \$2.8 million. Based on general discussions with County Staff, the City needs to have an agreement with Placer County describing costs and capacity reserved for the common pipeline approved prior to July 2013. The City would likely reimburse the County for the pipe upsizing, which, in turn, would fund Lincoln's construction of the pipeline.

If the City were to continue to pursue of the Regional Project by purchasing capacity in the common pipe, there will ultimately be additional costs down the road in order for Auburn to fully participate in the regional project. The design and environmental work for Auburn's pump station and pipe line from the existing plant to the common pipeline, the construction of that pipe, the upgrade to the City of Lincoln Plant necessary to treat the additional flow and costs to buy into Lincoln infrastructure and treatment facility. All of these costs are unknown and have been estimated at \$35 million or more.

Deal Points Review

Currently, the approved Design and Environmental Review Agreement (DERA) between the City of Lincoln and Placer County states that the regional sewer pipeline (including the common pipe section) will be constructed, owned and operated by the City of Lincoln (funded by Placer County SMD1). Hence, staff has to assume that there would be a need to enter into multiple agreements in order to purchase and reserve capacity in the 4 mile stretch of common pipe associated with the Regional Project.

The approach staff has taken in developing the attached deal points is to define Auburn's reserved capacity in the common pipe as 2.5mgd dry weather flow and 5.2 mgd wet weather flow. These flows allow for future growth in the City to accommodate approximately 10,500 equivalent dwelling¹ units (currently 6562 EDU's) and assumes the existing pond system at the Auburn Plant would remain and be utilized to equalize flows during rain events. Also, no pretreatment of wastewater is assumed at the Auburn plant. The method in which this purchased capacity would be monitored is yet to be determined but is likely through the use of flow monitoring at the future SMD1 pump station. This data could be provided to Auburn on a semi-annual basis and confirmed by way of agreement. Use of this capacity by Placer County Sewer Maintenance District 1 (SMD1) without compensation and approval from the City would constitute a breach of contract.

Other key deal points include the City's right to sell or lease the reserved capacity in the future, ensure a joint powers authority would be created and that a joint study would be prepared to define what the connection fee would be when Auburn chose to connect to Lincoln's plant.

It is important to note that the recently circulated draft environmental impact report for the regional project has addressed impacts associated with the connection of Placer County Sewer Maintenance District 1 (SMD1) and Auburn City Limits **only**. As a result, the current DERA does not allow for connections to be made along the route from Auburn to Lincoln – a “closed pipe” as it is referred. Currently, this does prevent future development (outside the City limits of Auburn) from purchasing the capacity but does **not** prevent environmental work to be completed and the agreement revised in the future. However, physical constraints will limit the ability of future developers (not in the SMD1 or City of Auburn boundaries) to connect. The primary challenge is a factor of how the regional pipe is being designed and the physical nature of the surrounding topography. If the City were to sell the capacity to others, they would likely need to connect to the regional pipeline at the same location (connection Point “B” on the attached figure). This is because 1) the pipeline from SMD1 to the common pipeline location has been completely allocated to existing and future SMD1 customers, and 2) the pipeline is pressurized and drops from elevation 800 feet (at Point B) to around elevation 250 feet at the connection to the Lincoln gravity sewer. Connecting to a high pressure pipe can be difficult, especially at the bottom of the hill.

Regional Sewer Project Update

The Regional Sewer Project is scheduled to be advertised and bid in June 2013 and awarded around September 2013. Staff's current understanding is that the pipeline portion of the bid process would require bidders to submit pricing on a pipe size with Auburn included and one without Auburn included. While treatment facilities can be expanded incrementally, pipelines are generally sized and constructed to convey ultimate flows.

¹ Based on the Placer Nevada Wastewater Authority analysis of reasonable build out potential of the City of Auburn.

Alternatives Available to Council; Implications of Alternatives

1. Proceed with Staff Recommendation with Deal Points as presented or revise Deal Points
2. Do not proceed with staff recommendation

Fiscal Impact

The Regional Sewer Project Common Section of Pipeline Project is estimated to cost Auburn \$2.8 million. Funding for the Regional Sewer Project Common Section of Pipeline will require the City to complete a rate study, conduct a Proposition 218 hearing and raise sewer rates to fund the purchase. Although staff has not conducted a thorough financial analysis, we estimate the impact to the existing rate to be approximately \$2.50 per EDU per month plus the CPI adjustment currently in the rate model for a total estimated impact of \$3.75 per EDU per month. If it is the direction of the Council to move forward with the purchase of capacity in the common line and accept the proposed (or revised) Deal Points, staff would suggest a Revenue Study be prepared to initiate the rate increase and Prop 218 Hearings.

Attachments:

Exhibit A – Regional Sewer Common Pipeline Draft Deal Points

Exhibit B- Regional Sewer Common Pipeline Site Plan

EXHIBIT A
REGIONAL SEWER COMMON PIPELINE DRAFT DEAL POINTS TO
CONSIDER

Agreement with Placer County

For Auburn, staff is proposing City Council consider these general provisions to be included in an agreement with Placer County for the construction of the Regional Sewer Common Pipeline Section.

1. Auburn's buy-in for the common section of pipeline only is estimated at \$2.8 million but would be adjusted based on actual construction bids.
2. Auburn would have an option to participate in the common pipeline prior to the award of the County-related regional project (estimated to be in Sept 2013). This would be an understanding under an agreement with Placer County.
3. Auburn shall have the right to sell or lease the capacity in the common section of pipeline in the future.
4. Auburn would reimburse the County as the work is completed, not upfront, conceivably over the 2-year construction period.
5. Auburn will own its share of the common pipeline. Auburn will have the capacity to direct peak flows of 5.2 mgd into the pipeline.
6. Any costs or changes in scope associated with the agreement would be approved by the Auburn City Council.
7. From and after connection to the common pipe, Auburn would be charged a pro-rata share of the annual pipeline O&M costs. Auburn's operations and maintenance costs shall reflect Auburn's percentage of capacity the common pipeline as well as the relative pipe lengths between Placer County and Auburn.
8. A mutually agreed upon JPA shall be formed within five years of the date the City of Auburn agrees to purchase capacity in the common pipe.
9. It is Auburn's understanding that Placer County has purchased wastewater capacity for 4.2 mgd of average dry weather flow and 14.7mgd of peak wet weather flow. These flows are pumped into the regional pipelines and City of Lincoln trunk sewers and wastewater treatment plant. Online flow measurement at the SMD1 Pump Station will be used to confirm these flows are not exceeded. Flows exceeding these Placer County flows would reduce Auburn's purchased capacity of 2.5 mgd (average) and 5.2 mgd (peak) into the pipelines. This would represent a violation of the proposed agreement and require a lease payment to the City until the City's capacity is no longer used by the County.

Agreement with the City of Lincoln

For Auburn, staff is proposing City Council consider these general provisions to be included in an agreement with the City of Lincoln for the Regional Sewer Common Pipeline Section.

1. Auburn's owns capacity of 5.2 mgd in the common section of pipeline.
2. Auburn reserves future capacity to send 5.2 mgd peak hourly flows, 2.5 mgd average dry weather sanitary sewer flows in all downstream wastewater facilities (sewers, treatment

facilities, & effluent disposal facilities). The 2.5 mgd of sanitary flow represents about 10,500 EDUs and a waste strength of about 6,000 lbs /d of biochemical oxygen demand (BOD).

3. When Auburn agrees to connect, Auburn would be charged no more than the City of Lincoln's current resident connection fee for wastewater collection, treatment, and disposal. A joint connection fee study will be prepared to define Auburn's volume for purposes of calculating the connection fee. This would also apply to any capacity sold or leased by the City of Auburn.
4. Auburn can sell/ transfer this agreement to another agency with similar flows/quality.
5. A mutually agreed upon JPA shall be formed within five years of the date the City of Auburn agrees to purchase capacity in the common pipe.
6. From and after connection to the common pipe, Auburn would be charged a pro-rata share of the annual pipeline O&M costs. Auburn's operations and maintenance costs shall reflect Auburn's percentage of capacity the common pipeline as well as the relative pipe lengths between Placer County and Auburn.

Regional Sewer Common Pipeline Site Plan

